

VZCZCXYZ0008
RR RUEHWEB

DE RUEHC #1431 1582200
ZNY SSSSS ZZH
R 062149Z JUN 08
FM SECSTATE WASHDC
TO RUEHGT/AMEMBASSY GUATEMALA 0000
INFO RUETIAA/DIRNSA FT GEORGE G MEADE MD
RUEAIIA/CIA WASHINGTON DC 0000
RHMCSUU/FBI WASHINGTON DC 0000
RUEKJCS/SECDEF WASHINGTON DC
RUCPDOG/USDOC WASHINGTON DC 0000

S E C R E T STATE 061431

NOFORN
SENSITIVE
SIPDIS
GUATEMALA CITY FOR LANCE HEGERLE
GUATEMALA CITY FOR DREW BLAKENEY

E.O. 12958: DECL: 06/06/2023
TAGS: [ETTC](#) [KOMC](#) [GT](#)
SUBJECT: GUATEMALAN MND POTENTIAL AECA SECTION 3 VIOLATION

REF: A. A.STATE 32825
[B. B. GUATEMALA 482](#)
[C. C. GUATEMALA 675](#)

Classified By: David C. Trimble, for reasons 1.4(a), (b), and (d)

[1](#)1. Summary: (SBU) Over the last several months, the Department's Office of Defense Trade Controls Compliance (PM/DTCC) has been working with the Office of Regional Security and Arms Transfers (PM/RSAT) to investigate the apparent unauthorized re-transfer of firearms that had been provided to the Guatemalan Ministry of National Defense (MND) under the U.S. Military Assistance Program (MAP) (ref A). Compliance Specialists from PM/DTCC met April 9-11 in Guatemala City with USG officials, Guatemalan MND officers, and the owner of private Guatemala-based arms dealer GIR SA as part of the Department's ongoing investigation of the re-transfer. The MND subsequently provided a formal written response as well as over 300 pages of supporting documentation, which have been pouched to PM/DTCC for evaluation (ref C). END SUMMARY

[1](#)2. (U) Under Section 3 of the Arms Export Control Act (AECA), the Department, as the President's delegate, must report to Congress any unauthorized re-transfer or re-export of items originally transferred or sold under MAP or other military assistance programs.

[1](#)3. (SBU) Upon arrival in Guatemala City on April 9, PM/DTCC compliance specialists Judd Stitzel and Kyle Ballard were briefed on post's view of the possible Section 3 violation by US Military Group Guatemala Commander Col. Linda Gould, Army Attach Lt. Col. Monroe Bonfoey, Political and Economic Counselor Drew Blakeney, and PolMil Officer Lance Hegerle. Col. Gould was encouraged by the MND's willingness to cooperate fully in order to resolve this issue. Gould had the impression that the unauthorized retransfer of the MAP articles in question was the result of ignorance rather than deliberate defiance of US regulations. Gould believed that Major General Ronaldo Cecilio Leiva Rodriguez, the Minister of Defense at the time of the re-transfer, wrongly assumed that the paperwork provided by Century Arms from the U.S. Bureau of Alcohol, Tobacco, Firearms, and Explosives (BATFE) constituted import authorization by the USG. Gould also stated that Leiva likely delayed responding to requests for documentation concerning the MAP articles until the new Guatemalan administration entered office (January 14, 2008) and Leiva retired. Gould stated that the arrival of the new administration would likely yield more cooperation on behalf of the Government of Guatemala (GOG). At the same time, the personnel turnover will likely make it more difficult to gain definitive answers, since the new leadership at MND has been

in place for only three months. In the interest of transparency and expediency, Col. Gould requested all relevant documentation in PM/DTCC,s possession indicating that many of the MAP-origin firearms supposedly destroyed on May 29, 2003 were in fact shipped to Century Arms in the U.S.

¶4. (SBU) In a related matter, Gould confirmed that the MND was waiting for several hundred automatic assault rifles and accessories manufactured by Israeli Weapons Industries (IWI) that were seized by U.S. Customs and Border Protection (CBP) in January while transiting the U.S. in Newark. CBP seized the weapons because they lacked a temporary import license (Form DSP-61). Gould said that the weapons seized in Newark are not/not related to the apparent Section 3 violation. According to Gould, ninety percent of the weapons will be used by members of the Guatemalan Special Forces Unit (Kaibiles) participating in a SOUTHCOM-funded training program. Gould stressed that this new unit is an important example of U.S. Guatemalan counter-terrorist cooperation and that GOG has already made a 20-percent down payment for these weapons.

¶5. (SBU) Discussions with Army Attach Lt. Col. Monroe Bonfoey focused on the activities of GIR SA and its role in the apparent Section 3 violation. Bonfoey stated that he has always found GIR SA to be very cooperative and has never seen any indications that GIR SA has been involved in illicit activities.

¶6. (S/NF) Bonfoey expressed skepticism about alleged nefarious forces at work behind the MND-GIR SA-Century Arms deal. (Comment: GIR SA was involved in the 2002 "Otterloo" case in which Nicaraguan AK-47 rifles supposedly destined for Panama were diverted to the AUC in Colombia. The case was the subject of a major OAS investigation which suggested widespread illicit activity by GIR and several other participants in the transaction.) Bonfoey opined that the negative media coverage regarding illicit firearms sales from MND was either politically motivated or was due to speculation that infamous arms dealer Monzer al-Kassar was involved. To Bonfoey,s knowledge, the connection to al-Kassar has not been corroborated.

DISCUSSION WITH GIR SA ABOUT APPARENT SECTION 3 VIOLATION

¶7. (SBU) On April 10, Stitzziel, Ballard, Hegerle, and ICE Attach Lupe Sepulveda met with the owner of GIR SA, Ori Zoller, to discuss his company,s business activities and its role in the sale of MAP-origin firearms to Century Arms (ref B). After Stitzziel and Ballard provided a brief introduction to the functions of PM/DTCC and the registration and licensing requirements for manufacturers, exporters, and brokers under the International Traffic in Arms Regulations (ITAR), Zoller initially expressed disbelief that even non-U.S. persons must register as brokers of United States Munitions List (USML) items. He asserted that it was Century Arms, responsibility to inform him of GIR SA,s obligations under U.S. law. Zoller became less defensive after the PM/DTCC officers persuaded him that full disclosure would be in his best interests. Zoller stated that if PM/DDTC found GIR SA to be a broker under the ITAR, he would register the company with PM/DDTC in order to "do things by the book."

¶8. (U) Zoller stated that GIR SA was founded in 1996 as a representative of Israeli state-owned company Israeli Military Industries (IMI), now Israeli Weapons Industries (IWI). Zoller also said that GIR SA makes significant profits through its Guatemalan firearms store and by selling approximately 8,000 to 10,000 firearms wholesale each year to 120 retail stores throughout the country. Zoller claimed that the wholesale business is GIR SA,s "primary business."

¶9. (SBU) Zoller claimed that only after the MND-Century Arms transaction was completed did he become aware that some of the firearms sold by MND were MAP-origin. He explained that in 2001 or 2002, GIR SA, as IMI,s representative in Guatemala, signed a contract with GOG to assemble IMI,s Galil rifles in Guatemala. Over the last few years, MND,s

inability to pay for the refurbishment by IMI of several thousand Galil rifles led to significant debt owed by MND to IMI. Zoller said it was his idea to work out a "barter deal" under which MND transferred title of the surplus weapons to GIR SA, as IMI's representative, in order to satisfy MND's outstanding debt. Zoller claimed that bartering was necessary due to a Guatemalan law that requires all MND revenue to be returned to the central treasury. The barter arrangement, combined with the subsequent cash proceeds from GIR SA's sale of the weapons to a third party, was intended to both satisfy MND's debt with IMI and essentially generate additional "credit" for "other projects" that GIR SA would provide to MND. The projects mentioned by Zoller included the provision of additional equipment and the construction of a hotel for exclusive use by Guatemalan armed forces.

¶10. (SBU) According to Zoller, he insisted on selling the surplus weapons to a U.S. company because he trusted the stringency of U.S. regulations. If the weapons were to go to any other country in the region, Zoller asserted, he would run the risk of unwittingly becoming involved in "shady deals" and contributing to illicit arms trafficking in Latin America. Zoller explained that Century Arms was the most appropriate U.S. company for GIR SA to partner with on this deal. According to Zoller, GIR SA established a business relationship with Century in 1997 primarily due to Century's specialization in relic weapons and military equipment and its well-established international presence.

¶11. (SBU) Zoller claimed that once GIR SA and Century had agreed on the terms of the sale, Century was responsible for ensuring full compliance with U.S. laws and regulations. Zoller finalized the deal only after Century produced BATFE import paperwork which appeared to represent full and proper authorization. Zoller insisted that neither he nor GIR SA ever had physical possession of the weapons. Zoller asserted that representatives from Century traveled to Guatemala and managed the actual selection, inspection, packaging, organizing, and shipping of the weapons, which allegedly were transferred directly from MND to the port of exit. Zoller insisted that GIR SA had "no involvement in this process." To support this claim, Zoller stated that Guatemalan law prohibits private Guatemalan entities from possessing "offensive weapons." Zoller stated there were a total of nine (9) shipments, and only one (1) contained U.S.-manufactured articles. Zoller provided the PM/DDTC officers with container numbers and bills of lading.

¶12. (SBU) Despite repeated requests on April 10 and 11 by the PM/DDTC officers, Zoller failed to provide documentation of the terms of GIR SA's "barter deal" with the MND and the actual transfer of the weapons, titles from the MND to GIR SA. After promising to provide such documentation, Zoller later claimed not to have it and instead provided the serial number of an MND document that supposedly outlined the weapons transfer from MND to GIR SA. The PM/DDTC officers later asked MND officers for a copy of this document.

¶13. (SBU) Regarding the IMI weapons seized by CBP in Newark, Zoller said U.S. company Interglobal Forwarding Services had told him that several DSP-61 application had already been approved. Zoller estimated that IMI has used Interglobal for approximately thirty (30) shipments between IMI and entities in Latin America. (COMMENT: Zoller's comments suggest it is likely that Interglobal often has transshipped export-controlled items through the U.S. without proper authorization. END COMMENT) Zoller cited five (5) current transactions involving Interglobal to which GIR SA is party. Two (2) shipments are heading to El Salvador, two (2) to MND, and two (2) to Guatemalan law enforcement agencies. Zoller expressed his dissatisfaction with Interglobal as a freight forwarder and said he would convey this dissatisfaction to IMI in order to encourage them to use another company. Zoller stated that GIR SA's reputation as a reliable business has been adversely affected due to Interglobal's lack of

"professionalism" and noncompliance with U.S. regulations.

¶14. (S/NF) During the meeting, PM/DTCC officers observed several binders on the shelves of GIR SA offices with the following names: Jorge Ricardo Rodas, IRP SA, Hagor, NICE, Front Line, SIS SA, TIL SA. Open sources indicate that Guatemalan citizen Jorge Ricardo Rodas Sanchez was arrested for embezzling large sums of money from the Credito Hipotecario Nacional.

DISCUSSION WITH MND ABOUT APPARENT SECTION 3 VIOLATION

¶15. (SBU) On April 10, Stitzziel, Ballard, Gould, and Hegerle met with the heads of several MND departments (ref B and C), including General Counsel (Juridica Militar) (Col. Jorge Contreras), Logistics (Col. Lizama), and Armaments (Col. Carols Manuel Toledo Robles). MND,s Finance Office did not send a representative. Post had delivered an oficio containing the questions in ref A to the Minister of Defense earlier that week. The MinDef appointed Contreras as the point-of-contact for all issues related to weapons re-transfers and destruction. MND officials expressed their desire to resolve all outstanding issues. However, they cautioned that the arrival of the new administration on 14 January and the subsequent turnover of leadership will make it difficult to provide definitive answers, since the current MND leadership has been in place for only three months. MND said it would need two weeks to locate, review, and produce the documents requested in the oficio and to interview former MND officers in order to provide the most complete and accurate answers possible to the Department,s inquiries.

¶16. (SBU) As an initial, informal response, the MND officers verbally offered a partial description of events, based on recollection and a preliminary review of currently available documents. Col. Contreras, who worked in the Inspector General,s office during the time Leiva was the Inspector General (IG believes that several shipments from the MND to Century Arms were made in 2006 and two (2) shipments were made in 2007.

¶17. (SBU) The MND officials agreed that MND,s Finance Office is the only entity that will be able to answer most of the questions in ref A. Contreras believed that MND had a contract with Century Arms but that MND,s Finance Office would have the documentation, if it still exists. Col. Toledo recalled Col. Miguel Angel Diaz Bobadilla, Chief of MND,s Armaments Office, stating that a contract was drawn up between the Armaments Office and the Finance Office. (COMMENT: The Armaments Department reports directly to the Minister of Defense and is not part of the general staff. END COMMENT) Contreras explained that all of Leiva,s past correspondence with private industry was at a level well above that to which the MND officers present had access.

¶18. (SBU) MND officials had no knowledge of Century Arms, attorney Mark Barnes and stated that it would have been impossible for Barnes to represent the MND in any capacity. MND officials claim that MND dealt solely with Ori Zoller as both a representative of GIR SA and Century Arms. When the terms of the transaction were finalized, GOG created a commission to supervise the transfer of the firearms to GIR SA. Toledo recalled having a representative on this commission but insisted that representatives of GIR SA, not Century, packed the firearms and arranged shipment to the U.S. When Toledo arrived to check on the transfer to GIR SA, the weapons had already been loaded by just a few men onto trucks chartered by GIR SA. The trucks had already been sealed, and the list of contents had already been finalized without independent oversight.

¶19. (SBU) The MND,s formal six-page written response to inquires outlined in ref A and B was received by post and pouched to PM/DTCC (ref C). More than 300 pages of supporting documentation accompanied the response and will be reviewed thoroughly by PM/DTCC upon receipt. MND,s response highlighted "confusion over the proper procedures" for the destruction or retransfer of MAP-origin goods at the time of

the potential Section 3 violation. The MND admits that "the necessary time and care were not taken when selecting the material that was to be sold to GIR SA," and adds that a high turnover rate in the MOD positions charged with overseeing these issues further added to the confusion. The response also notes that current MND leadership was not involved in the transactions in question but remains committed to assisting US authorities in investigating the matter.

¶20. (U) PM/DDTC would like to express its gratitude to Embassy Guatemala and especially PolMil officer Lance Hegerle for his exemplary work in helping to arrange and execute this visit.

RICE